



**Request for City Council Committee Action  
From the City Attorney's Office**

Date: July 16, 2003  
To: Ways & Means/Budget Committee  
Referral to: None

**Subject:** Nonprofit corporations reported in the 1999 Office of State Auditor Survey

**Recommendation:** That the City Council receive and file this report on nonprofit corporations

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Approved by: 

Jay M. Heffern  
City Attorney

**Financial Impact** (Check those that apply)

- ☒ No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)  
☐ Action requires an appropriation increase to the Capital Budget  
☐ Action requires an appropriation increase to the Operating Budget  
☐ Action provides increased revenue for appropriation increase  
☐ Action requires use of contingency or reserves  
☐ Other financial impact (Explain):  
☐ Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact:**

City Goals: Strengthen City government management and enhance community engagement

**Background/Supporting Information**

In 2000, the legislature passed Minnesota Statutes Section 465.719 providing, in part, that: "In order to provide for the continued existence of a corporation created by a political subdivision, the political subdivision, or its successor, that created the corporation must adopt a resolution at a regularly scheduled meeting of the governing body of the political subdivision..." Minn. Stat. 465.719, subd. 2.

Those corporations that meet the definition of corporation under Minnesota Statutes 465.719, subd. 1 are subject to the requirement that the political subdivision that created the corporation adopt a resolution in order to provide for the corporation's continued existence after August 1, 2003.

In a 1999 survey of the Office of State Auditor, 13 nonprofit corporations were reportedly created by or connected to the City. The Minneapolis Public Library Foundation was reported as having been created by the Minneapolis Public Library, a political subdivision. The Minneapolis Municipal Athletic League was reported as having been created by the Minneapolis Park & Recreation Board, a political subdivision. The remaining 11 nonprofits were reportedly created by the City.

The 13 nonprofits originally reported in 1999 in response to the survey are:

1. Minneapolis Public Library Foundation (Minneapolis Public Library Board, political subdivision)
2. Minneapolis Municipal Athletes Association (Mpls. Park & Recreation Board, political subdivision)
3. Minneapolis City Hall Committee (hasn't existed since 1999)
4. Minneapolis Initiative Against Racism (dormant since before 1999, dissolved in 2000 per Secretary of State records.)
5. Minneapolis Telecommunications Network (MTN)
6. Minneapolis Convention Fund
7. Cornerhouse
8. Greater Minneapolis Convention & Visitors Association
9. Downtown Minneapolis Transportation Management Organization
10. Minneapolis Police Athletic League (PAL)
11. Minneapolis Economic Development Company
12. Friends of Cue
13. Community Action of Minneapolis

A review was made concerning city staff's information about the nonprofit corporations and by checking Secretary Of State status records of the corporations. Of the 11 nonprofits reportedly created by the City, two no longer exist. The Minneapolis City Hall Committee has not existed since at least 1999 and is inactive. The Minneapolis Initiative Against Racism has been dormant since before 1999, and the Secretary of State information shows that it was dissolved in 2000. Because these organizations no longer exist, the Council need not consider adoption of a resolution.

The Minneapolis Television Network appears to meet the definition of "corporation" under Minn. Stat. 465.719, such that a council resolution at a regularly scheduled meeting would be necessary for the nonprofits continued existence after August 1, 2003. Staff has prepared a resolution for the consideration of the Ways & Means Committee of July 21 and of the Council on July 25, 2003.

A review of the remaining eight nonprofit corporations was conducted by contacting the staff of the nonprofits to determine whether the nonprofits meet the definition of corporation under Minn. Stat. 465.719, subd. 1. This review involved the nonprofit staff evaluation of their articles of incorporation, their bylaws, the makeup of their boards of directors, and review of the question of whether the City's governing board approves either the corporations' budgets or the corporations' expenditures.

The Minneapolis Convention Fund does not meet the definition of corporation under Minn. Stat. 465.719, subd.1. No resolution is necessary for the Convention Fund's continued existence past August 1, 2003, because Minn. Stat. 465.719 .719, subd.1 (b) expressly provides that a corporation does not include a nonprofit corporation created to raise funds for use by a political subdivision if less than a majority of the board of directors of the corporation are members of the governing body of the political subdivision appointed to the board of directors by virtue of their election to office. Information from the nonprofit corporation Minneapolis Convention Fund staff is that less than a majority of the board of directors are members of the City's governing body appointed to the board by virtue of their election to office.

Of the remaining seven nonprofits, information from the staff of the relevant nonprofit corporations and from City staff, is that the nonprofits do not meet the definition of corporation under Minn. Stat. 465.719, subd.1, because: 1) neither the corporation's articles of incorporation nor the bylaws provide for the governing body of the political subdivision to serve as the corporation's governing board; 2) neither the articles of incorporation nor the bylaws provide for appointed officials of the political subdivision or members of the

governing body of the political subdivision or both to be automatically appointed to the board solely by virtue of their appointment or election to office where, together, they constitute a majority of the corporation's board members; and 3) the governing body of the City does not approve the budget or the expenditures of the relevant nonprofit corporation for purposes other than those related to oversight of public grants or loans made to the corporation under a competitive process for which other entities are eligible.

The nonprofits that provided information that they do not meet the definition of corporation such that a resolution would be required for continued existence are: Minneapolis Convention Fund, Cornerhouse, Greater Minneapolis Convention & Visitors Association, Downtown Minneapolis Transportation Management Organization, Minneapolis Police Athletic League (PAL), Minneapolis Economic Development Company, Friends of Cue, and Community Action of Minneapolis.

Laws of 2000, Chapter 455, Article 1, section 3 provides that existing corporations that reported to the state auditor under Minn. Stat. 1998, section 465.715, subd.3, but do not meet the definition under section 2, subd. 1, paragraph (b) remain as established and are not affected by this act or by Minn. Stat. section 465.715. (Minn. Stat. 465.715 was also repealed.)